

November 13, 2001

**PUBLIC VERSION**

**VIA U.S. MAIL**

Ms. Carmen Suro-Brodie  
Chair, Trade Policy Review Committee  
Office of the United States Trade Representative  
600 17th St. N.W.  
Washington, DC 20508

Re: Lone Star's Request to Exclude Products From Import Relief Under Section 203

Dear Ms. Suro-Brodie:

Pursuant to the notice published at 66 Fed. Reg. 54,321 on October 26, 2001, Lone Star Steel Company ("Lone Star") submits this exclusion request for certain slab products identified and described herein. Lone Star contends that these products should be excluded from any import relief granted by the President under Section 203(a) of the Trade Act of 1974 ("Trade Act"), as amended (19 U.S.C. 2253(a)), as they are essential to Lone Star's production processes and are either not produced by domestic firms or not offered for sale by those firms in the U.S. merchant market.

Lone Star, located near Lone Star, Texas, manufactures and markets electric resistance welded tubes. Its core products are oil country tubular goods ("OCTG"), line pipe, and precision mechanical tubing. Annually, Lone Star uses [**350,000 – 1.5 million**] net tons of slab. Approximately [**50 - 95%**] of the slab is purchased on the merchant market because

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**[explanation of why Lone Star buys slab on the merchant market.]** In short, Lone Star depends heavily on merchant market access to large volumes of the highest quality, special-grade continuous cast slabs that it can find.

(a) Much of the slab that Lone Star purchases—approximately **[400,000 – 900,000]** short tons in 2000—are of varieties unavailable in the U.S. merchant market—specifically, slab produced for American Petroleum Institute (“API”) OCTG and line pipe, including both sour gas and standard applications. These types of slab (“API OCTG and line pipe slabs”) are a subset of HTS classification number 7224.90.00.55.

(b) API OCTG and line pipe slabs are micro-alloyed steels with a very clean internal quality, low sulfur content, high mechanical properties, high corrosion resistance, and high weldability properties. These properties allow these steel grades to perform under extreme temperatures and pressures—qualities that are critical to OCTG applications.

(c) These varieties of specialized slab should be excluded from any import relief for a very simple reason—they are required inputs for many U.S. flat-rolled and tubular goods producers, including Lone Star, and are virtually unavailable from domestic slab producers in the U.S. merchant market.

(d) Lone Star purchases most of its API OCTG and line pipe slabs from **[name of supplier]**. In the past five years, Lone Star has also purchased these slabs from **[names of foreign suppliers]**. Listed below are the quantities of API OCTG and line pipe slabs that Lone Star has purchased from **[name of supplier]** and these other foreign producers in the past five years.

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<b>Supplier</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>YTD 2001</b>
<b>Names of suppliers</b>	<b>Volumes purchased for each year listed</b>					
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To Lone Star's knowledge, there are no other foreign or U.S. producers that produce API OCTG and line pipe slabs for sale in the U.S. merchant market that meet Lone Star's chemistry requirements.

(e) Lone Star's demand projections (in short tons) for API OCTG and line pipe slabs for 2001 to 2005 are as follows:

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<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Ranges from 300,000 to 800,000 annually</b>				

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Absent import restrictions that curtail the foreign supply of these varieties of slab into the U.S. market, Lone Star plans to maintain its current level of purchases of foreign slab throughout this

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period. Lone Star's recent correspondence with U.S. slab producers indicates that these producers are unable to meet Lone Star's requirements due to availability, chemistries, and caster configurations.

(f) As noted in item (d) above, it is Lone Star's understanding that API OCTG and line pipe slabs, as described herein, are unavailable from domestic slab producers in the U.S. merchant market. Lone Star is unaware of the manufacture of these products for internal consumption by U.S. steel producers.

(g) API OCTG and line pipe slabs are highly specialized, and, to Lone Star's knowledge, no viable non-steel substitutes for these products exist either in the United States or abroad.

For the foregoing reasons, Lone Star requests that the United States Trade Representative exclude API OCTG and line pipe slabs from any import relief granted by the President under Section 203(a) of the Trade Act.

Respectfully submitted,

/s/

W. Byron Dunn  
President and CEO  
Lone Star Steel Company